



November 12, 2018

Dear Shareholder,

## Unibail-Rodamco SE – Remuneration Policy

The Supervisory Board (the “**SB**”) of Unibail-Rodamco SE is committed to active shareholder engagement. Proactive consultation with shareholders on the Remuneration Policy has been a long-standing practice. As the newly appointed Chair of the Remuneration Committee (the “**RC**”) of the SB, I look forward to engaging directly with you on remuneration topics.

In early 2018, in light of the acquisition of Westfield (the “**Transaction**”) and in preparation for the 2018 AGM, the SB conducted a comprehensive review of the Management Board’s (the “**MB**”) Remuneration Policy. The resulting policy<sup>1</sup> was approved by 83%<sup>2</sup> of shareholders. We communicated at the time, that there remained a few details in the MB remuneration for 2019 onwards to be finalized. Furthermore, while the current SB Remuneration Policy was approved by 95% of shareholders, the SB also indicated its intention to undertake a review of the SB fee levels for 2019 onwards in light of the new scope of the Group.

This letter details the recommendations on the outstanding topics for the MB and SB.

### Finalising outstanding items on MB Remuneration

The completion of the last outstanding items of the MB remuneration leaves absolutely unchanged the MB Remuneration Policy, the MB incentive levels and quanta approved by shareholders. Pursuant to the French Corporate Governance Code (the “**Afep-Medef Code**”) and absent significant changes in the Company or the market, the approved MB remuneration levels will remain unchanged for the whole duration of their 4-year mandates.

The few details to be finalized ensure a strong focus on the strategic objectives of the Group and incorporate to the greatest extent the direct feedback from shareholders, namely:

- Setting the detail of the KPIs for the STI<sup>3</sup> and LTI<sup>3</sup> going forward, including updating the relevant TSR<sup>4</sup> performance peer group. The main changes are:
  - STI – include “Key Strategic Goals” as a quantitative KPI. For 2019: focused on Transaction related synergy and disposal targets.
  - LTI – introduce internal and external CSR<sup>5</sup> targets to reflect our ongoing commitment to sustainable business practices.
- Streamlining the LTI instruments to ensure simplicity, understanding and equal treatment across regions.

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<sup>1</sup> See **Appendix 4** for a summary of the remuneration principles and approved policy.

<sup>2</sup> Average of the CEO and CFO scores.

<sup>3</sup> STI – Short-term Incentive; LTI – Long-term Incentive.

<sup>4</sup> TSR – Total Shareholder Return.

<sup>5</sup> CSR – Corporate Social Responsibility.



## UNIBAIL-RODAMCO-WESTFIELD

See **Appendix 1** “Setting the detail of the KPIs for the STI and LTI for 2019 onwards” for detailed discussion on the above as well as **Appendix 2-4** for additional information.

### SB Fee Review

As indicated in the listing prospectus, the SB member fees for 2019 going forward will be revised under the guidance of an external independent advisor.

Despite the proposed adjustment of fee levels subject to 2019 AGM approval, the Chairman’s fees and the other SB Member fees will remain lower than the median non-executive independent Chairmen & SB member fees in most European countries and the US. See **Appendix 5** for details on the SB Fees going forward.

\* \* \*

We hope that you find this advance disclosure of our Remuneration Policy helpful and that you are supportive of the approach outlined. We would be pleased to discuss the above or any other governance topics either by phone or in person. We invite you to contact Daniella Azevedo Michel, Supervisory Board Secretary, to clarify any points. She is reachable at +33 (0)1 53 43 74 42, or via e-mail at [daniella.azevedomichel@urw.com](mailto:daniella.azevedomichel@urw.com). As RC Chair, I will make myself available upon request.

Sincerely,

Mary Harris

Vice-Chair of the Supervisory Board  
Chair of the Remuneration Committee  
Unibail-Rodamco SE

## APPENDICES

### Appendix 1: Setting the detail of the KPIs for the STI and LTI for 2019 onwards

The KPIs for STI and LTI aim at ensuring:

- full alignment with the Group’s strategy and with stakeholder interests,
- direct and explicit link between performance and remuneration, and
- retention, motivation and fair rewards of all its participants.

The detail of the future STI and LTI KPIs are summarised below with the rationale for the key changes detailed on the next page:

		Former <sup>6</sup>			Going Forward		
<b>There is no change to the Remuneration Policy framework and quantum (detailed in Appendix 4)</b>							
<b>Short-term Incentive (STI)</b>	CEO	<b>Quantitative KPI (% of total STI):</b>			<b>Quantitative KPI (% of total STI):</b>		
		40% REPS <sup>7</sup>	}	40% NAV <sup>8</sup>	80%	64% AREPS <sup>7</sup>	}
	40% NAV <sup>8</sup>	35% REPS		35% NAV	70%	16% Key Strategic Goals*	
	CFO	<b>Quantitative KPI (% of total STI):</b>			<b>Quantitative KPI (% of total STI):</b>		
35% REPS		}	35% NAV	70%	56% AREPS	}	70%
35% NAV	14% Key Strategic Goals*		70%				
<p>* For 2019, “Key Strategic Goals” will be equally split between:</p> <ul style="list-style-type: none"> <li>• Synergies: The attainment of synergies related to the Transaction as disclosed to the market (i.e. €60 Mn cost synergies and €40 Mn revenues synergies) will be assessed on a run-rate basis by the Audit Committee.</li> <li>• Disposals: The quality of the disposal process will be assessed by the SB to ensure the appropriateness of the transactions in terms of the types of assets, the value obtained and the speed of execution.</li> </ul>							
<b>Long-term Incentive (LTI)</b>	<b>KPI:</b>		<b>KPI:</b>				
	<u>External:</u> 50% Relative TSR > index		<u>External:</u> 45% Relative TSR > index 5% Relative CSR				
<b>(Performance Shares (PS) &amp; Performance Stock Options (SO))</b>	<u>Internal:</u> 50% REPS growth per guidance		<u>Internal:</u> 45% AREPS growth per guidance 5% CSR KPIs				
	<b>PS/SO Vesting:</b> differences based on residence & instrument + shareholding obligation for executives (CEO 300% of FI, CFO 200% FI) <b>SO Validity period:</b> 7 years (vs. 10-year market practice)		<b>PS/SO Vesting:</b> streamline regardless of residence or instrument: 3 years vesting + shareholding obligation for executives only (CEO 300% of FI, CFO 200% FI) <b>SO Validity period:</b> 8 years (vs. 10-year market practice)				
<b>Peer Group for TSR performance (weighted to reflect the URW portfolio):</b>	Eurozone Retail (90%) & French Office (10%)		Retail (93%): Eurozone (63%), UK (8%), US (22%) & French Office (7%)				

<sup>6</sup> See listing prospectus for specificities regarding 2018 related to the Transaction.

<sup>7</sup> REPS – Recurring Earnings per Share; AREPS – REPS adjusted to include the cost of the hybrid securities.

<sup>8</sup> NAV – Net Asset Value.

### *1. Introduction of “Key Strategic Goals” KPIs and removal of NAV in the STI quantitative component*

The SB carefully considered how to ensure that performance metrics in the STI reinforce the Company’s strategy.

In order to reinforce the near-term strategic priorities, the SB will introduce “Key Strategic Goals” defined annually as part of the quantitative component of the STI. This is in addition to delivering AREPS in line with market guidance announced at the start of the year to investors.

The SB will remove NAV evolution as a KPI as it now lacks full alignment with the Group’s strategy. URW is a recurring earnings driven operator and developer of prime real estate assets. NAV is more a static measure of the pure real estate value than a reflection of the business dynamics. The retail environment is rapidly changing, but appraisers have a hard time keeping up and valuing these changes. Many of URW’s income streams related to its assets are not typically valued by appraisers (e.g., Sales Based Rents, JV income streams, pop-up stores and brand events (a key Westfield know-how and part of what will deliver the revenue synergies)). Appraisals are also influenced to a significant extent by factors outside of management’s control (e.g., a- estimated rental values – appraisers use “market lease rates” which in many instances are below those URW can achieve and has historically consistently achieved due to its higher quality assets and b- “transaction market comparables”, which often do not exist given URW’s prime asset focus. Indeed, URW assets and even its non-core assets historically trade at a premium to book value).

To ensure it had reviewed all relevant alternatives, the SB also considered a KPI based on relative NAV evolution, similar to the one used by UK REITs (Total Property Return measured against the IPD index). However, there is no reliable comparable index available for Continental Europe (63% of our assets), nor for the US (22% of our assets) where REITs do not disclose NAV.

### *2. Introduction of CSR KPIs in the LTI to reflect this strategic priority*

CSR and sustainable development goals are a key strategic priority for the Group.<sup>9</sup> In order to ensure that this strategic priority remains central in the new extended geographical scope of the Group and aligned with the 2018 revisions to the Afep-Medef Code, CSR KPIs will be introduced. They will account for 10% of the total LTI (5% internal and 5% external, to maintain the balanced split). Accordingly, the proportion of AREPS and TSR are each reduced by 5% to integrate this new component. See **Appendix 2** for details.

### *3. A TSR performance benchmark index reflecting the new scope of the Group*

The SB also reviewed the composition of the TSR performance benchmark index to account for the new geographical presence and portfolio mix. The current peer group of Eurozone Retail and French Office will thus be expanded to include UK and US Retail. See **Appendix 3** for details.

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<sup>9</sup> The “Better Places 2030” strategy, announced in 2016, makes URW a market leader on CSR matters.

#### 4. Alignment of vesting in the LTI

With the introduction of additional countries, each with differing practices and tax implications on the LTI instruments, the SB decided to align the vesting periods of PS and SO to ensure simplicity, understanding and equal treatment across regions. Accordingly, PS and SO will have a unified vesting period of 3 years. A shareholding obligation is maintained for MB Members –300% of FI for the CEO and 200% of FI for the CFO.

### Appendix 2: Attainment of CSR KPI

#### Attainment of CSR KPI

##### *CSR External Component – 5% of LTI*

URW's ESG rating by ISS-Oekom<sup>10</sup> will be measured to determine this component's vesting.

Vesting rule (progressive vesting):

- If URW rating is 'PRIME' for the 3 vesting years: 100%
- If URW rating is 'PRIME' for 2 out of 3 vesting years: 66%
- If URW rating is 'PRIME' for 1 out of 3 assessments: 33%
- If URW rating is not 'PRIME' the 3 vesting years: 0%

##### *CSR Internal Component – 5% of LTI*

1. Achievement of the Better Places 2030 commitments on the Continental Europe perimeter over the vesting period
2. Achievement on the integration of US, UK and Italy into the URW CSR programme

Vesting rule (progressive vesting – achievement rate of 0% to 100%): overall achievement rate assessed by the SB based on KPIs audited by an external 3<sup>rd</sup> party.

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<sup>10</sup> Of 7,000 issuers rated by ISS-Oekom, only around 550 companies hold Prime status.

## Appendix 3: TSR Performance Benchmark Index

Sub-index	Weight (= % of URW assets in each area)	Approach to select Companies	Number of Companies
Eurozone Retail	63%	Eurozone Real Estate Companies: <ul style="list-style-type: none"> <li>▪ That mainly operate in Retail (&gt; 50%)</li> <li>▪ That operate in the same Countries as URW</li> </ul>	10
France Office	7%	French Office Real Estate Companies	3
UK Retail	8%	UK Real Estate Companies that mainly operate in Retail (> 50%)	5
US Retail	22%	<ul style="list-style-type: none"> <li>▪ Companies in the "Regional Mall" NAREIT sub-sector</li> <li>▪ Largest Companies from the "Shopping Center" NAREIT sub-sector</li> </ul>	11
<b>Total</b>	<b>100%</b>		<b>29</b>

Company	Market Cap * (M€)	Weight in Sub-index	Weight in global index		Company	Market Cap * (M€)	Weight in Sub-index	Weight in global index
Klépierre	11 526	44,2%	27,8%	Regional Malls	British Land Co	7 776	29,8%	2,4%
Carmila	3 135	12,0%	7,6%		Land Securities Group	8 405	32,2%	2,6%
Deutsche EuroShop	2 098	8,0%	5,1%		Hammerson	4 886	18,7%	1,5%
Citycon	1 921	7,4%	4,6%		Intu Properties	3 855	14,8%	1,2%
Eurocommercial Properties	1 800	6,9%	4,3%		NewRiver REIT	1 139	4,5%	0,3%
Mercialys	1 698	6,5%	4,1%		<b>Sub-total UK Retail</b>	<b>26 061</b>	<b>100%</b>	<b>8%</b>
Wereldhave	1 611	6,2%	3,9%		Simon Property Group	44 488	49,1%	10,8%
Vastned Retail NV	786	3,0%	1,9%		Macerich	7 705	8,5%	1,9%
Retail Estates NV	693	2,7%	1,7%		Taubman Centers	3 310	3,7%	0,8%
Lar Espana Real Estate	823	3,1%	2,0%		Washington Prime Group	1 102	1,2%	0,3%
<b>Sub-total Eurozone Retail</b>	<b>26 090</b>	<b>100%</b>	<b>63%</b>		CBL & Associates Prop	807	0,9%	0,2%
Gecina	11 585	46,1%	3,2%		Pennsylvania REIT	693	0,8%	0,2%
Covivio	7 070	28,1%	2,0%		Regency Centers	9 816	10,8%	2,4%
ICADE	6 072	25,8%	1,8%		Federal Realty Investment	8 029	8,9%	1,9%
<b>Sub-total Office France</b>	<b>25 142</b>	<b>100%</b>	<b>7%</b>	Kimco Realty	6 438	7,1%	1,6%	
				Brimor Property Group	4 742	5,2%	1,1%	
				Weingarten Realty Invest	3 518	3,8%	0,8%	
				<b>Sub-total US Retail</b>	<b>109 086</b>	<b>100%</b>	<b>22%</b>	
				<b>TOTAL</b>	<b>187 040</b>		<b>100%</b>	

**Appendix 4: Summary of MB Remuneration policy key principles and components**

The remuneration policy key principles and components will remain unchanged.

*Key principles for MB Remuneration*

*Based on "Pay for Performance"*

<b>INCLUDED</b>
Reasonable and balanced remuneration based on benchmarks through an external independent consultant
Cap on STI
Cap on the overall LTI grant
Same LTI scheme for employees and MB members
Strong track record of stringent performance conditions calculated over a long period (minimum 3 years) on the full LTI grant
No reward for under performance
Continuous presence of 2 years preceding vesting for LTI
Claw Back / Malus: introduced in 2018
Obligation to retain shares
Obligation to invest in shares

<b>EXCLUDED</b>
No reward for under performance
No welcome bonus
No exceptional Remuneration
No employment contract
No service Agreement
No additional pension scheme "retraite chapeau"/ defined benefits
No intra-Group Board fees
No contractual Severance Package
No contractual Non-Compete Indemnity
No discount on SO subscription price
No profit-sharing scheme

Summary of MB Main Remuneration Components for 2019 onwards

Main remuneration components	Purpose and Link to Strategy	Operation	Maximum Opportunity
Fixed Income (FI)	Attract high-calibre experienced individuals with a competitive remuneration level that reflects the scope, scale and dynamics of the business.	Set at the start of each 4-year mandate, pursuant to the Afep-Medef Code.	CEO: €1,250,000 CFO: €800,000
Short-term Incentive (STI)	Drive short-term strategy and recognise achievement of annual financial and operational objectives.	<u>Quantitative</u> component: entirely linked to the Group's financial performance. <u>Qualitative</u> component: individual objectives pre-defined by the SB annually.	CEO <b>cap</b> : 200% of FI - 80% quantitative / - 20% qualitative CFO <b>cap</b> : 150% of FI - 70% quantitative / - 30% qualitative <b>KPIs</b> : cf. discussion above <b>AREPS</b> : stretch target top bracket of Company's medium-term guidance
Long-term Incentive (LTI) Performance Shares (PS) & Performance Stock Options (SO)	Retain and align with the medium/long-term value creation objectives of the Company and its shareholders.	Broad based retention tool with 15%-20% of employee beneficiaries annually. KPIs directly linked to Group performance.	<b>Cap</b> : 180% of FI <b>Split</b> : 50% internal / 50% external <b>Grant</b> : approx. 70% PS / 30% SO <b>Long performance period</b> : minimum of 3 years <b>Presence condition</b> : Continuous presence of 2 years preceding vesting <b>KPIs &amp; vesting</b> : cf. discussion above <b>AREPS</b> : 0% vesting below guidance 30% vesting at threshold of guidance 100% vesting at high end of guidance Straight line vesting in between
Shareholding guidelines	To align the MB and shareholder interests.	Retain 30% of capital gains (net of tax) of SO exercised and PS vested.	<b>Shareholding obligation</b> : CEO 300% of FI, CFO 200% of FI
Supplementary Contribution Scheme	To provide access to a benefits scheme.	Annual contribution paid into a blocked savings account.	CEO: €90,000 + 10% (FI + STI) CFO: €45,000 + 10% (FI + STI)
Other Benefits	To provide access to a benefits scheme.	E.g. health and life insurance, unemployment insurance, company car and company savings plan (no top-up contribution).	CEO: approx. €30,000 CFO: approx. €30,000



## Appendix 5: SB Member Fees

	<b>SB Member Remuneration <sup>(1)</sup></b>	
	<b>2019 onwards</b>	
SB Chairman Basic Annual Fee	€225,000	
Non-Chair SB Member Basic Annual Fee	€75,000	
	Fixed (33%)	Variable (67%) <i>according to attendance</i>
	€25,000	€50,000
Additional SB Vice-Chairman Fee	€18,000	
Additional AC Chairman Fee	€20,000	
Additional AC Member Fee	€18,000	
	Fixed (33%)	Variable (67%) <i>according to attendance</i>
	€6,000	€12,000
Additional GN & RC Chairman Fee	€10,000	
Additional GN & RC Member Fee	€9,000	
	Fixed (33%)	Variable (67%) <i>according to attendance</i>
	€3,000	€6,000
Out of Country Indemnity (European travel)	€1,500 per event	
Out of Country Indemnity (inter-continental travel, US East Coast)	€3,000 per event	
Out of Country Indemnity (US West Coast)	€5,000 per event	
Variable Short-term Incentive	None	
Long-term Incentive or any remuneration related to Company performance	None	
Exceptional remuneration	None	
Welcome Bonus	None	
Contractual Severance Package	None	
Contractual Non-Compete Indemnity	None	
Pension	None	
Other Benefits	None	
<sup>(1)</sup> Before income tax and social security charges.		